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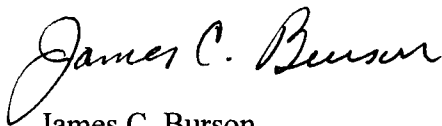
Mr. Steven Olea
Utilities Division Director
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

**RE: SAN MANUEL INTERCONNECT PROJECT CERTIFICATE
OF ENVIRONMENTAL COMPATIBILITY (CEC); DECISION NO. 71218;
DOCKET NO. L-00000CC-09-0158-00142, CASE NO. 142; ANNUAL
CERTIFICATION LETTER FOR THE SAN MANUEL INTERCONNECT
PROJECT**

Dear Mr. Olea:

Southwest Transmission Cooperative, Inc. submits this letter certifying the status of compliance with the conditions of the CEC issued for the San Manuel Interconnect Project as of March 1, 2013. This certification letter complies with CEC Condition 19 in Decision No. 71218.

Sincerely,



James C. Burson
Director of Transmission Operations and Maintenance

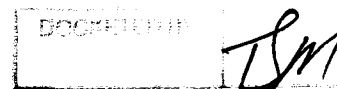
Via Certified Mail (7010 0290 0003 1313 9814)

cc: J. Foreman, Attorney General's Office
The Governor's Office of Energy Policy

Arizona Corporation Commission

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San Manuel Interconnect Project Annual Certification for
Compliance with CEC Conditions

In compliance with Condition 19 of the CEC, the following summarizes the progress concerning and status of compliance activities as of March 1, 2013.

Condition 1 - *The Applicant shall obtain all approvals and permits required by the United States, the State of Arizona, the County of Pinal and any other governmental entities having jurisdiction necessary to construct the Project.*

The Project is currently undergoing Bureau of Land Management National Environmental Policy Act review. All necessary approvals and permits will be obtained prior to commencement of construction.

Condition 2 - *The Applicant shall comply with all existing applicable statutes, ordinances, master plans and regulations of the United States, the State of Arizona, the County of Pinal and any other governmental entities having jurisdiction during the construction and operation of the transmission line.*

Southwest Transmission Cooperative, Inc. (SWTC) will comply with all applicable statutes, ordinances, master plans and regulations during the construction and operation of the transmission line.

Condition 3 - *Pursuant to A.R.S. § 41-844, if any archaeological, paleontological or historical site or object that is at least 50 years old is discovered on state, county or municipal land during the construction or operation of the transmission line, the Applicant or its representative in charge shall promptly report the discovery to the Director of the Arizona State Museum, and in consultation with the Director, shall immediately take all reasonable steps to secure and maintain the preservation of the discovery.*

SWTC will adhere to the requirements stated in Condition 3.

Condition 4 - *If human remains and/or funerary objects are encountered on private land during the course of any ground-disturbing activities relating to the construction or operation of the transmission line, the Applicant shall cease work on the affected area of the Project and notify the Director of the Arizona State Museum pursuant to A.R.S. § 41-865.*

SWTC will adhere to the requirements stated in Condition 4.

Condition 5 - *The Applicant shall comply with the notice and salvage requirements of the Arizona Native Plant Law (A.R.S. §§ 3-901, et seq.) and shall, to the extent feasible, minimize the destruction of native plants during the construction and operation of the transmission line. In no event shall the Applicant destroy*

more than 100 saguaro cacti during the construction of the transmission line and access road.

SWTC will file the required Notice of Intent to clear lands with the Arizona Department of Agriculture and will adhere to the requirements stated in Condition 5.

- Condition 6 - *The Applicant shall not assign this Certificate or its interest in the Project authorized by this Certificate without prior approval of the Commission. Any assignment of this Certificate shall require the assignee to assume all responsibilities of the Applicant listed in this Certificate.*

SWTC will adhere to the requirements stated in Condition 6.

- Condition 7 - *This authorization to construct this Project shall expire five years from the date the Certificate is approved by the Commission unless the transmission line is capable of operation. However, prior to expiration, the Applicant or its assignees may request that the Commission extend this time limitation.*

SWTC understands that the authorization to construct will expire five years from the time the Certificate was approved and, if necessary, will seek an extension of the time limitation.

- Condition 8 - *In the event that the Project requires an extension of the term of this Certificate prior to completion of construction, Applicant shall use reasonable means to notify all landowners and residents within one mile of the Project, all persons who made public comment at this proceeding and all parties to this proceeding of the request and the time and place of the hearing in which the Commission will consider the request for extension.*

In the event the Project requires an extension, SWTC will adhere to the terms stated in Condition 8.

- Condition 9 - *The Applicant shall make every reasonable effort to identify and correct, on a case-specific basis, all complaints of interference with radio or television signals from operation of the transmission lines and related facilities addressed in this Certificate. The Applicant shall maintain written records for a period of five years of all complaints of radio or television interference attributable to operation, together with the corrective action taken in response to each complaint. All complaints shall be recorded to include notations on the corrective action taken. Complaints not leading to a specific action or for which there was no resolution shall be noted and explained.*

Construction of the transmission line has not occurred. Upon the transmission line becoming operational, all complaints will be addressed as they are received

and actions taken will be documented in written records as required by Condition 9.

Condition 10 - *Within 120 days of the Commission decision granting this Certificate, Applicant will post signs in public rights-of-way giving notice of the Project corridor to the extent authorized by law. The Applicant shall place signs in prominent locations at reasonable intervals such that the public is notified along the full length of the transmission line until the transmission structures are constructed. To the extent practicable, within 45 days of securing easement or right-of-way for the Project, the Applicant shall erect and maintain signs providing public notice that the property is the site of a future transmission line. Such signage shall be no smaller than a normal roadway sign. The signs shall advise:*

- (a) That the site has been approved for the construction of Project facilities;*
- (b) The expected date of completion of the Project facilities;*
- (c) A phone number for public information regarding the Project;*
- (d) The name of the Project;*
- (e) The name of the Applicant; and*
- (f) The website of the Project.*

As required by this condition, signs were erected in compliance with its requirements on October 19, 2009. Exhibit 1 to SWTC's March 1, 2010, certification letter is an affidavit certifying the posting of and language for the signs. Compliance with Condition 10 has been completed.

Condition 11 - *Applicant, or its assignee(s), shall design the transmission lines to incorporate reasonable measures to minimize impacts to raptors.*

SWTC will incorporate reasonable measures to minimize impacts to raptors as required by Condition 11.

Condition 12 - *Applicant, or its assignee(s), shall use non-specular conductor and dulled surfaces for transmission line structures.*

SWTC will use non-specular conductor and dulled surfaces for transmission line structures as required by Condition 12.

Condition 13 - *Before construction on this Project may commence, the Applicant shall file a construction mitigation and restoration plan (Plan) with ACC Docket Control. Where practicable, the Plan shall specify the Applicant's plans for construction access and methods to minimize impacts to wildlife and to minimize vegetation disturbance outside of the Project right-of-way particularly in drainage channels and along stream banks, and shall re-vegetate, unless waived by the landowner, native areas of construction disturbance to its preconstruction state outside of the power-line right-of-way after construction has been completed. The Plan*

shall specify the Applicant's plans for providing a biological monitor to ensure compliance with condition No. 5 and the Arizona Native Plant Law and for coordination with the Arizona Game and Fish Department and the State Historic Preservation Office. The Applicant shall use existing roads for construction and access where practicable and the Plan shall specify the manner in which the Applicant makes use of existing roads.

Prior to construction, SWTC will prepare and file a construction mitigation and restoration plan meeting the requirements of Condition 13.

Condition 14 - *With respect to the Project, Applicant shall participate in good faith in state and regional transmission study forums to coordinate transmission expansion plans related to the Project and to resolve transmission constraints in a timely manner.*

SWTC will continue to participate in state and regional transmission study forums as specified in Condition 14.

Condition 15 - *The Applicant shall provide copies of this Certificate to Pinal County, the Arizona State Land Department, the Bureau of Land Management, the State Historic Preservation Office and the Arizona Game and Fish Department.*

A copy of the certificate was sent to all of the required agencies on September 1, 2009, via certified mail. Exhibit 2 to SWTC's March 1, 2010, certification letter is an affidavit confirming transmittal. Compliance with Condition 15 is complete.

Condition 16 - *Prior to the date construction commences on this Project, the Applicant shall provide known homebuilders and developers within one mile of the route the identity, location and a pictorial depiction of the type of power line being constructed, accompanied by a written description, and encourage the developers and homebuilders to include this information in the developers' and homebuilders' homeowners' disclosure statements.*

There are currently no known homebuilders or developers within one mile of the Project's location. If, prior to construction, a homebuilder or developer is identified within one mile of the Project's route, SWTC will comply with the terms stated in Condition 16.

Condition 17 - *Before commencing construction of Project facilities located parallel to and within 100 feet of any existing natural gas or hazardous liquid pipeline, the Applicant shall:*

- (a) Perform the appropriate grounding and cathodic protection studies to show that the Project's location parallel to and within 100 feet of such pipeline results in no material adverse impacts*

- to the pipeline or to public safety when both the pipeline and the Project are in operation. If material adverse impacts are noted in the studies, Applicant shall take appropriate steps to ensure that such material adverse impacts are mitigated. Applicant shall provide to Commission Staff reports of studies performed; and*
- (b) *Perform a technical study simulating an outage of the Project that may be caused by the collocation of the Project parallel to and within 100 feet of the existing natural gas or hazardous liquid pipeline. This study should either: i) show that such outage does not result in customer outages; or ii) include operating plans to minimize any resulting customer outages. Applicant shall provide a copy of this study to Commission Staff.*

Exhibit 3 to SWTC's March 1, 2010, certification letter is an affidavit which certifies that there will be no Project facilities constructed parallel to and within 100 feet of any such pipeline. No further action is required and compliance with Condition 17 is complete.

Condition 18 - *Applicant will follow the latest Western Electricity Coordinating Council/North American Electric Reliability Corporation Planning standards as approved by the Federal Energy Regulatory Commission, and National Electrical Safety Code construction standards.*

The terms stated in Condition 18 will be met in designing and constructing the Project.

Condition 19 - *The Applicant shall submit a self-certification letter annually, identifying progress made with respect to each condition contained in the Certificate, including which conditions have been met. Each letter shall be submitted to Docket Control of the Arizona Corporation Commission on March 1 beginning in 2010. Attached to each certification letter shall be documentation explaining how compliance with each condition was achieved. Copies of each letter along with the corresponding documentation shall be submitted to the Arizona Attorney General and Department of Commerce Energy Office. The requirement for the self-certification shall expire on the date the Project is placed into operation.*

Certification letters will be filed annually as required by Condition 19 until the Project is operational or until the CEC expires.

Condition 20 - *Within sixty (60) days of the Commission decision granting this Certificate, the Applicant shall make good faith efforts to commence discussions with private landowners, on whose property the Project corridor is located, to identify the specific location for the Project's right-of-way and placement of poles.*

Within 60 days of the Commission decision granting the CEC, the private landowner on whose property the Project's route is located was contacted. Exhibit 4 to SWTC's March 1, 2010, certification letter is an affidavit confirming that compliance with Condition 20 is complete.

Condition 21 - *The Applicant shall expeditiously pursue reasonable efforts to work with private landowners on whose property the Project right-of-way will be located, to mitigate the impacts of the location, construction and operation of the Project on private land.*

SWTC has entered into agreements with the private landowner involved concerning these subjects. Exhibit 5 to SWTC's March 1, 2010, certification letter is an affidavit confirming that compliance with Condition 21 is complete.

Condition 22 - *The Applicant shall install and maintain marker balls on the Project's static line at the spans in the approaches to the San Manuel airport between structures No. 3 and No. 8 and over the San Pedro River between structures No. 21 and No. 25 to alert any aircraft to the Project. The marker balls, their installation and maintenance will meet FAA Advisory Circular 70/7460-1K standards or any successor standards and requirements.*

SWTC will adhere to the requirements of Condition 22 and will certify its compliance upon completion.